

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF SOUTH)	
KENTUCKY RURAL ELECTRIC COOPERATIVE)	
CORPORATION FOR APPROVAL OF MASTER)	CASE NO.
POWER PURCHASE AND SALE AGREEMENT)	2018-00050
AND TRANSACTIONS THEREUNDER)	

ORDER

This matter arises from South Kentucky Rural Electric Cooperative Corporation's ("South Kentucky") motions requesting confidential treatment, pursuant to KRS 61.878 and 807 KAR 5:001, Section 13, for designated materials for a period of ten years.

On January 31, 2018, South Kentucky filed its first Motion for Confidential Treatment ("First Motion for Confidential Treatment") for the following information contained in its application and exhibits to the application: (1) the identities of and pricing terms submitted by bidders who responded to a request for proposal ("RFP") for alternate wholesale power supply opportunities; (2) detailed economic data, forecasts, and conclusions of the net present value ("NPV") analysis of the bids received in response to the RFP; (3) specific energy and capacity pricing terms of the proposal selected by South Kentucky; and (4) banking and commercially-sensitive information. In support of its request, South Kentucky states that public disclosure of the designated information in its First Motion for Confidential Treatment would provide potential vendors and competitors with a competitive advantage, and result in higher costs to South

Kentucky, which, in turn, would result in higher rates paid by South Kentucky's owner-members.

On March 13, 2018, South Kentucky filed its Second Motion for Confidential Treatment for its responses to the following:

- Commission Staff's First Request for Information, Item 2(c), which contains forecasted financial data regarding the NPV calculations.
- Distribution Cooperatives'¹ First Request for Information, Items 3, 4, and 30, which contain forecasted financial data regarding the NPV calculations, specific energy and capacity pricing terms of the proposal selected by South Kentucky, estimated annual savings other than NPV calculations, and bid proposals.
- East Kentucky Power Cooperative's ("EKPC") First Request for Information, Items 26(b), 27, and 28(c), which contain forecasted financial data and analysis of the bid proposals.

South Kentucky contends that public disclosure of the designated information in the Second Motion for Confidential Treatment would provide its competitors with insight into South Kentucky's business operations and strategies, which would result in commercial harm to South Kentucky and its owner-members.

¹ Distribution Cooperatives' First Request was jointly filed by the following EKPC member distribution Cooperatives: Big Sandy Rural Electric Cooperative Corporation, Blue Grass Energy Cooperative Corporation, Clark Energy Cooperative, Inc., Cumberland Valley Electric, Inc., Farmers Rural Electric Cooperative Corporation, Fleming-Mason Energy Cooperative, Inc., Grayson Rural Electric Cooperative Corporation, Inter-County Energy Cooperative Corporation, Jackson Energy Cooperative Corporation, Licking Valley Rural Electric Cooperative Corporation, Nolin Rural Electric Cooperative Corporation, Owen Electric Cooperative, Inc., Shelby Energy Cooperative, Inc., and Taylor County Rural Electric Cooperative Corporation.

On April 5, 2018, South Kentucky filed its Third Motion for Confidential Treatment for its responses to the following:

- Attorney General's Supplemental Request for Information, Item 7, which contains forecasted financial and operational information.
- Distribution Cooperatives' Supplemental Request for Information, Items 10, 39, 40, and 42(b), which contain pricing information for the energy and capacity transactions for which South Kentucky requests Commission approval, estimated annual savings other than NPV calculations, internal correspondence containing financial information and proprietary analyses of the bid proposals, and potential collateral requirements negotiated between South Kentucky and Morgan Stanley Capital Group Inc. ("Morgan Stanley").
- EKPC's Supplemental Request for Information, Items 1, 8, 9, and 22, which contain forecasted financial and operational information, pricing information for the energy and capacity transactions for which South Kentucky requests Commission approval, bid proposals, and estimated collateral requirements with projected financial information.

South Kentucky contends that public disclosure of the designated information in the Third Motion for Confidential Treatment would provide its competitors with insight into South Kentucky's business operations and strategies, which would result in commercial harm to South Kentucky and its owner-members.

Having considered the motions and the materials at issue, the Commission finds that:

1. The energy and capacity pricing terms of the proposed agreements with Morgan Stanley as set forth in the application, exhibits, and responses to requests for information do not meet the criteria for confidential treatment under KRS 61.878(1)(c) and 807 KAR 5:001, Section 13. The Commission finds that disclosure of the designated information regarding energy and capacity pricing terms contained in the documents referenced in the First, Second, and Third Motions for Confidential Treatment, including but not limited to Sheet 4 of the response to the Distribution Cooperatives' First Request for Information, Item 4, would not impose any unfair competitive disadvantage in future negotiations involving wholesale power purchase agreements. This is particularly so given the Commission's need to be able to address the cost impact in its final determination of the reasonableness of this matter. Additionally, South Kentucky's members have a right to know the evidence upon which the Commission relied in determining whether the agreements at issue are fair, just, and reasonable. South Kentucky's request for confidential treatment of the energy and capacity pricing terms contained in the proposed agreements as designated in the First, Second, and Third Motions for Confidential Treatment should be denied.

2. The remaining information designated in the First, Second, and Third Motions for Confidential Treatment meet the criteria for confidential treatment under KRS 61.878(1)(c) and 807 KAR 5:001, Section 13, and therefore should be granted confidential treatment.

IT IS THEREFORE ORDERED that:

1. South Kentucky's First, Second, and Third Motions for Confidential Treatment are granted in part and denied in part.

2. South Kentucky's request for confidential protection for the designated information contained in the First, Second, and Third Motions for Confidential Treatment, with the exception of the energy and capacity pricing terms in the proposed agreements, is granted.

3. South Kentucky's request for confidential protection for energy and capacity pricing terms contained in the proposed agreements as designated in the First, Second, and Third Motions, including but not limited to Sheet 4 of the response to the Distribution Cooperatives' First Request for Information, Item 4, is denied.

4. The materials for which South Kentucky's request for confidential treatment has been granted shall remain confidential for a period of ten years from the date of entry of this order.

5. The materials for which South Kentucky's request for confidential treatment has been denied shall not be placed in the public record or made available for inspection for 20 days from the date of entry of this Order to allow South Kentucky to seek a remedy afforded by law.

6. Within 20 days of the date of entry of this Order, South Kentucky shall file revised documents identified in the First, Second, and Third Motions for Confidential Treatment reflecting as unredacted the information that has been denied confidential treatment.

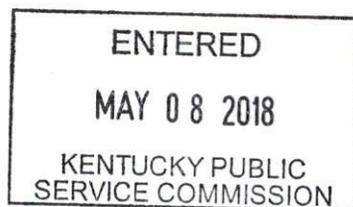
7. Use of the materials that were granted confidential treatment in any Commission proceeding shall be in compliance with 807 KAR 5:001, Section 13(9).

8. South Kentucky shall inform the Commission if the materials granted confidential treatment become publicly available or no longer qualify for confidential treatment.

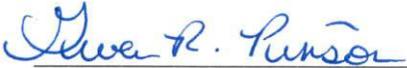
9. If a non-party to this proceeding requests to inspect materials granted confidential treatment by this order and the period during which the materials have been granted confidential treatment has not run, South Kentucky shall have 20 days from receipt of written notice of the request to demonstrate that the materials still fall within the exclusions from disclosure requirements established in KRS 61.878. If South Kentucky is unable to make such demonstration, the requested materials shall be made available for inspection. Otherwise, the Commission shall deny the request for inspection.

10. The Commission shall not make the materials available for inspection for 20 days following an order finding that the materials no longer qualify for confidential treatment in order to allow South Kentucky to seek a remedy afforded by law.

By the Commission



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